

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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SF 26 - Performing Arts Building, Sales Tax Exemption (LSB 1579 XS)  
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Fiscal Note Version - New  
Requested by Senator Herman C. Quirmbach

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**Description**

Senate File 26 provides a sales tax exemption from the sale of materials and services used in construction of a nonprofit private performing arts center. The sales tax will be refunded upon the completion of an application to the Department of Revenue. The Bill makes the refund provision retroactively applicable to the construction contracts entered into on or after July 1, 2006.

**Background**

There are currently two projects in the State that would qualify for this sales tax exemption. For the project located in Red Oak, approximately \$2.6 million was spent on materials and equipment and for the project located in Dubuque, approximately \$600,000 was spent on materials and equipment. The total estimated amount that would be exempt from sales with passage of this legislation is \$3.2 million.

The number of projects that would qualify under SF 26 in future years is currently unknown.

**Assumptions**

- The two known eligible projects would submit the sales tax exemption application in FY 2008.
- Assumes that only these two projects will receive the sales tax exemption in FY 2008.
- Assumes the current State sales tax rate of five percent.

**Fiscal Impact**

The estimated fiscal impact of SF 26 in FY 2008 will be a reduction in General Fund revenues of approximately \$160,000.

There would also be a reduction in local option sales tax of less than \$65,000 statewide in FY 2008 (specific amounts will vary by county).

The impact of SF 26 in FY 2009 and beyond is currently unknown.

**Sources**

Performing Arts and Education Association (PAEA) of Southwest Iowa  
Dubuque Grand Opera House  
Iowa Department of Revenue  
Iowa Department of Cultural Affairs

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/s/ Holly M. Lyons

February 5, 2007

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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